



[Press release](#)

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## **First International Bank of Israel Presents Fourth Quarter and Full Year 2020 Results**

**Tel Aviv, Israel – March 17, 2021.** First International Bank of Israel (TASE: FIBI) one of Israel's major banking groups, today announced its results for the fourth quarter and full year of 2020.

### **Financial Highlights:**

- **Net earnings of NIS 750 million in 2020;**
- **Return on equity: 8.6%;**
- **Net earnings of NIS 210 million in the fourth quarter;**
- **Return on equity: 9.6%;**
- **Growth in credit - the average balance of credit to the public grew by 5%;**
- **The average balance of deposits from the public grew by 13.1%;**
- **The average balance of private customer's deposits grew by 15.9%;**
- **The Bank continues to increase efficiency: operating and other expenses decreased by 3.2%;**
- **Ratio of Tier I equity capital to risk assets: 11.18%;**
- **High quality credit portfolio: low rate of loan payment deferrals standing at 1.9% at December-end and 1.0% at end of January;**

## Profitability

**Net earnings** in 2020 of the First International Bank Group amounted to NIS 750 million, as compared to NIS 865 million in 2019. Return on equity was 8.6%. **In the fourth quarter** of the year, net earnings amounted to NIS 210 million, as compared to NIS 201 million in the third quarter, and fourth quarter return on equity was 9.6%.

## Implications of the Corona Crisis on the Bank's Financial Statements

Given the background of the Corona pandemic, its impact on the macro-economic environment and the considerable uncertainty that followed, the Bank increased expenses in respect of credit losses. Total **Credit loss expenses** in 2020 amounted to NIS 464 million, in contrast to NIS 138 million in 2019, an increase of NIS 326 million. All expenses for credit losses stem from the growth in the **collective provision**. The total amount of credit loss expenses includes expenses of NIS 402 million, were recorded in respect of the uncertainty following the widening Corona pandemic and its implications on the macro-economic environment. **The ratio of credit loss expenses to total credit to the public** in 2020 amounted to 0.52% compared with 0.16% in 2019.

The provisions in the **fourth quarter** of the year amounted to NIS 51 million, (collective provisions) compared with NIS 46 million in the corresponding quarter last year. The ratio of **credit loss expenses** to total credit to the public was significantly reduced compared with earlier quarters of the year, and amounted to 0.23% in the fourth quarter as compared to 0.22% in the corresponding quarter last year.

The volume of loan repayment deferrals showed an improved and steep downward trend, which indicates the quality of the credit portfolio and the quality of the Bank's borrowers. The amount of credit, under which repayments had been deferred, declined by 75% in the period from June 30, 2020 to December 31, 2020, and until January 31, 2021, by 86%. The ratio of deferred repayments to total credit reached 1.9% at the end of December and 1% at the end of January, a low ratio when compared with the Israeli Banking system as a whole.

## Growth

**Net interest income** increased by 1.3% in comparison to that of 2019, and amounted to NIS 2,637 million, with the increase due mainly due to the growth in volume of operations. **Commission income** demonstrated growth at the rate of 6.6% in 2020, amounting to NIS 1,371 million. Most of the growth was due to growth in income from capital market activity and currency exchange, the increase explained by growth in operations. The growth in activity of the Group is also demonstrated by the balance sheet data, both on the loan and deposits sides: **the average balance of credit to the public** increased by 5% reaching NIS 89,742 million. The accelerated growth rate was characterized by the continuous diversity of credit and is evident in the **corporate market** business segment, which has grown by 5%, in the **small businesses** segment, which has grown by 7% and in the **residential loan** segment, which has grown by 8.4%.

The average balance of **deposits from the public** grew by 13.1% to NIS 129,859 million. The average balance of deposits by private customers grew by 15.9% to NIS 67,817 million.

**The customer assets' portfolio** grew by 14.7% to a total amount of NIS 530 billion, when compared with that of December 31, 2019.

### **Financial stability**

The Bank has a significant capital surplus: the growth trend continued with respect to **capital attributed to shareholders of the Bank**, which grew by 6.7% (NIS 573 million) to NIS 9,141 million. The **Tier I equity capital ratio** reached 11.18% as compared to the required regulatory ratio of 8.3%.

### **Efficiency**

The First International Bank continued to improve efficiencies in accordance with its strategic plan and in 2020 the efficiency ratio improved to 61.8%, in comparison to 64.4% in 2019.

**Operating and other expenses** in 2020 amounted to NIS 2,569 million, a decrease of 3.2% when compared to that of 2019. The decrease in expenses was due to efficiency measures applied by the Bank and is noted across all expense items. The efficiency trend is reflected by the decrease in the **number of employee positions**, which declined by 5.3% in 2020, due to efficiency measures taken, which, among other activities, included a voluntary retirement plan implemented towards the end of the year. Settlement expenses in respect of this plan were recorded in the fourth quarter, and the outcome of this plan is expected to be reflected in reduced expenses in the upcoming years.

### **Digital**

The social distancing imposed by the Corona pandemic led to a significant increase in the use of digital. The Bank has invested in the development of new digital services, which led to a continuation of progress and technological growth at the Bank. A sharp increase has been noted in the use of digital banking by the public, including the use of the many advanced innovations introduced by the Bank. Among these include **FibiPay** - the new digital wallet of the First International Bank, the opening of an account digitally, digital pension consulting as well as further unique services, such financial consulting over Zoom, among others. These have come in addition to innovative developments such as the digital consultation system **Advise.me**, and the unique trading system allowing independent traders to conduct advanced investment strategies – **SmarTrade**.

## **Management Comment**

**Ms. Smadar Barber-Tsadik, CEO of the First International Bank Group** stated that: "The date of publication of the financial results of the First International Bank for 2020 marks one year of the Corona crisis, a global health crisis, the impact of which on society and on the economy has been highly significant. Despite the improvements brought about by the significant immunization process going on here in Israel, uncertainty still remains high.

"The First International Bank faced the current crisis by being preparing to provide optimal service to its customers which is demonstrated by the growth that is noted in the credit portfolio and in the customer asset portfolio. Throughout the crisis, the Bank has demonstrated its stability and its solidness, due to its qualitative and diverse credit portfolio, high liquidity, adequate capital cushions, high quality customers, and diversified growth from various market sectors. The Bank continues to implement efficiency measures, and notwithstanding the above, and in consequence of the uncertainty – has increased significantly its collective provisions for credit losses, increasing its security cushions for the future.

"Throughout the crisis period, the Bank has provided customers with support and service across all areas of operation, providing credit guaranteed by the State, and allowing its customers to defer repayments of loans and mortgages. Since the beginning of the crisis, the Bank has acted for the benefit of its private and business customers, it has located and identified those who had been affected by the crisis, and provided them with solutions that would help them in overcoming the difficult period.

"Another facet of the Corona epidemic has been the accelerated use of digital banking. Over the past few years, the First International Bank has updated its technological infrastructure, allowing it to show leadership in providing digital services across all banking areas. The Bank met the crisis, which created an ever-growing need for digital banking services, with advanced digital capabilities. In the current year, these capabilities have made it possible for us to create a series of breakthrough developments in all areas of operation, some of which are unique and exclusive in the capital markets, where we have made available: investment consulting, pension consulting and self-trading by digital means, enabling our customers to operate in the markets conveniently and efficiently."

## CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

| <i>Principal financial ratios</i>  | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> |
|--|-------------|-------------|-------------|-------------|-------------|
|  | percent     |             |             |             |             |
| <i>Execution indices</i>   |             |             |             |             |             |
| Return on equity attributed to shareholders of the Bank                          | 8.6%        | 10.5%       | 9.3%        | 9.1%        | 7.2%        |
| Return on average assets   | 0.49%       | 0.63%       | 0.54%       | 0.52%       | 0.41%       |
| Ratio of equity capital tier 1   | 11.18%      | 10.81%      | 10.51%      | 10.38%      | 10.09%      |
| Leverage ratio   | 5.29%       | 5.81%       | 5.76%       | 5.50%       | 5.52%       |
| Liquidity coverage ratio <sup>(1)</sup>  | 150%        | 128%        | 122%        | 123%        | 123%        |
| Ratio of total income to average assets  | 2.7%        | 3.0%        | 3.1%        | 2.9%        | 2.9%        |
| Ratio of interest income, net to average assets                                  | 1.7%        | 1.9%        | 1.8%        | 1.8%        | 1.7%        |
| Ratio of fees to average assets  | 0.9%        | 0.9%        | 1.0%        | 1.0%        | 1.0%        |
| Efficiency ratio   | 61.8%       | 64.4%       | 68.4%       | 69.5%       | 73.5%       |
| <i>Credit quality indices</i>  |             |             |             |             |             |
| Ratio of provision for credit losses to credit to the public                     | 1.38%       | 1.05%       | 1.02%       | 1.03%       | 1.08%       |
| Ratio of impaired debts or in arrears of 90 days or more to credit to the public | 0.86%       | 1.08%       | 0.83%       | 0.92%       | 1.02%       |
| Ratio of provision for credit losses to total impaired credit to the public      | 221%        | 131%        | 186%        | 155%        | 147%        |
| Ratio of net write-offs to average total credit to the public                    | 0.10%       | 0.10%       | 0.16%       | 0.18%       | 0.09%       |
| Ratio of expenses for credit losses to average total credit to the public        | 0.52%       | 0.16%       | 0.20%       | 0.15%       | 0.10%       |
| <i>Principal data from the statement of income</i>                               |             |             |             |             |             |
|  | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> |
|  | NIS million |             |             |             |             |
| Net profit attributed to shareholders of the Bank                                | 750         | 865         | 733         | 678         | 521         |
| Interest Income, net   | 2,637       | 2,602       | 2,486       | 2,302       | 2,169       |
| Expenses from credit losses  | 464         | 138         | 166         | 121         | 80          |
| Total non-interest income  | 1,523       | 1,520       | 1,637       | 1,450       | 1,480       |
| Of which: Fees   | 1,371       | 1,286       | 1,325       | 1,305       | 1,300       |
| Total operating and other expenses   | 2,569       | 2,654       | 2,819       | 2,607       | 2,683       |
| Of which: Salaries and related expenses  | 1,532       | 1,601       | 1,696       | 1,579       | 1,581       |
| Dismissal expenses   | 26          | 48          | 35          | 16          | 57          |
| Primary net profit per share of NIS 0.05 par value (NIS)                         | 7.48        | 8.62        | 7.31        | 6.76        | 5.19        |
| <i>Principal data from the balance sheet</i>                                     |             |             |             |             |             |
|  | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> |
|  | NIS million |             |             |             |             |
| Total assets   | 167,778     | 141,110     | 134,120     | 135,717     | 127,907     |
| of which: Cash and deposits with banks   | 57,802      | 37,530      | 31,303      | 39,186      | 29,150      |
| Securities   | 13,105      | 10,995      | 12,595      | 10,238      | 15,776      |
| Credit to the public, net  | 90,970      | 87,899      | 84,292      | 80,378      | 77,328      |
| Total liabilities  | 158,243     | 132,186     | 125,707     | 127,333     | 119,973     |
| of which: Deposits from the public   | 141,677     | 120,052     | 111,697     | 113,511     | 105,817     |
| Deposits from banks  | 2,992       | 1,137       | 1,150       | 1,133       | 755         |
| Bonds and subordinated capital notes   | 4,394       | 3,674       | 4,989       | 5,249       | 5,801       |
| Capital attributed to the shareholders of the Bank                               | 9,141       | 8,568       | 8,093       | 7,756       | 7,321       |
| <i>Additional data</i>   |             |             |             |             |             |
|  | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> |
| Share price (0.01 NIS)   | 8,514       | 9,989       | 7,860       | 7,202       | 5,650       |
| Dividend per share (0.01 NIS)  | 125         | 410         | 355         | 310         | 199         |
| Average number of positions <sup>(2)</sup>                                       | 3,895       | 4,086       | 4,285       | 4,429       | 4,650       |

(1) The ratio is computed in respect of the three months ended at the end of the reporting period.

(2) The number of positions includes conversion of overtime in terms of positions.

## STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31

(NIS million)

|   | <i>Consolidated</i> |             |             | <i>The Bank</i> |             |             |
|---|---------------------|-------------|-------------|-----------------|-------------|-------------|
|   | <i>2020</i>         | <i>2019</i> | <i>2018</i> | <i>2020</i>     | <i>2019</i> | <i>2018</i> |
| Interest Income   | 2,878               | 3,085       | 3,001       | 2,647           | 2,847       | 2,312       |
| Interest Expenses   | 241                 | 483         | 515         | 253             | 491         | 511         |
| Interest Income, net  | 2,637               | 2,602       | 2,486       | 2,394           | 2,356       | 1,801       |
| Expenses from credit losses   | 464                 | 138         | 166         | 443             | 127         | 117         |
| Net Interest Income after expenses from credit losses               | 2,173               | 2,464       | 2,320       | 1,951           | 2,229       | 1,684       |
| <i>Non-Interest Income</i>  |                     |             |             |                 |             |             |
| Non-Interest Financing income                                       | 148                 | 225         | 231         | 148             | 233         | 203         |
| Fees  | 1,371               | 1,286       | 1,325       | 1,234           | 1,144       | 995         |
| Other income  | 4                   | 9           | 81          | 45              | 54          | 151         |
| Total non-Interest income   | 1,523               | 1,520       | 1,637       | 1,427           | 1,431       | 1,349       |
| <i>Operating and other expenses</i>                                 |                     |             |             |                 |             |             |
| Salaries and related expenses                                       | 1,532               | 1,601       | 1,696       | 1,429           | 1,487       | 1,303       |
| Maintenance and depreciation of premises and equipment              | 344                 | 353         | 376         | 316             | 326         | 282         |
| Amortizations and impairment of intangible assets                   | 96                  | 92          | 91          | 94              | 89          | 86          |
| Other expenses  | 597                 | 608         | 656         | 570             | 583         | 508         |
| Total operating and other expenses                                  | 2,569               | 2,654       | 2,819       | 2,409           | 2,485       | 2,179       |
| Profit before taxes   | 1,127               | 1,330       | 1,138       | 969             | 1,175       | 854         |
| Provision for taxes on profit                                       | 368                 | 478         | 408         | 315             | 418         | 319         |
| Profit after taxes  | 759                 | 852         | 730         | 654             | 757         | 535         |
| The bank's share in profit of equity-basis investee, after taxes    | 29                  | 51          | 37          | 96              | 108         | 198         |
| <i>Net profit:</i>  |                     |             |             |                 |             |             |
| Before attribution to non-controlling interests                     | 788                 | 903         | 767         | 750             | 865         | 733         |
| Attributed to non-controlling interests                             | (38)                | (38)        | (34)        | -               | -           | -           |
| Attributed to shareholders of the Bank                              | 750                 | 865         | 733         | 750             | 865         | 733         |
| <hr/>   |                     |             |             |                 |             |             |
| <i>Consolidated and The Bank</i>                                    | <i>Note</i>         | <i>2020</i> | <i>2019</i> | <i>2018</i>     |             |             |
| Primary profit per share attributed to the shareholders of the Bank | 9                   |             |             |                 | NIS         |             |
| Net profit per share of NIS 0.05 par value                          |                     | 7.48        | 8.62        | 7.31            |             |             |

  
 Ron Lerkovich  
 Acting Chairman of the Board

  
 Smadar Barber-Tsadik  
 Chief Executive Officer

  
 Nachman Nitzan  
 Executive Vice President,  
 Chief Accountant

Tel-Aviv, 16 March, 2021

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31**

(NIS million)

|  |             | <i>Consolidated</i> |             |
|--|-------------|---------------------|-------------|
|  | <i>2020</i> | <i>2019</i>         | <i>2018</i> |
| Net profit before attribution to non-controlling interests                                     | 788         | 903                 | 767         |
| Net profit attributed to non-controlling interests   | (38)        | (38)                | (34)        |
| Net profit attributed to the shareholders of the Bank  | 750         | 865                 | 733         |
| Other comprehensive income (loss) before taxes:  |             |                     |             |
| Adjustments of available for sale bonds (2018 - securities) to fair value, net                 | (4)         | 101                 | (102)       |
| Adjustments of liabilities in respect of employee benefits <sup>(1)</sup>                      | (74)        | (74)                | 37          |
| Other comprehensive income (loss) before taxes   | (78)        | 27                  | (65)        |
| Related tax effect   | 26          | (9)                 | 22          |
| Other comprehensive income (loss) before attribution to non-controlling interests, after taxes | (52)        | 18                  | (43)        |
| Less other comprehensive loss attributed to non-controlling interests                          | -           | (2)                 | (4)         |
| Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes      | (52)        | 20                  | (39)        |
| Comprehensive income before attribution to non-controlling interests                           | 736         | 921                 | 724         |
| Comprehensive income attributed to non-controlling interests                                   | (38)        | (36)                | (30)        |
| Comprehensive income attributed to the shareholders of the Bank                                | 698         | 885                 | 694         |

(1) Mostly reflects adjustments in respect of actuarial assessments as of the end of the period regarding defined benefits pension plans, of amounts recorded in the past in other comprehensive profit.

**BALANCE SHEET AS AT DECEMBER 31**

(NIS million)

|  | <i>Consolidated</i> |                | <i>The Bank</i> |                |
|--|---------------------|----------------|-----------------|----------------|
|  | <i>2020</i>         | <i>2019</i>    | <i>2020</i>     | <i>2019</i>    |
| <i>Assets</i>                                      |                     |                |                 |                |
| Cash and deposits with banks                       | 57,802              | 37,530         | 56,757          | 36,528         |
| Securities   | 13,105              | 10,995         | 12,480          | 10,736         |
| Securities which were borrowed                     | 11                  | 9              | 11              | 9              |
| Credit to the public                               | 92,247              | 88,829         | 87,009          | 83,713         |
| Provision for Credit losses                        | (1,277)             | (930)          | (1,204)         | (871)          |
| Credit to the public, net                          | 90,970              | 87,899         | 85,805          | 82,842         |
| Credit to the government                           | 656                 | 1,039          | 35              | 415            |
| Investment in equity-basis investees               | 636                 | 605            | 1,198           | 1,278          |
| Premises and equipment                             | 965                 | 996            | 936             | 964            |
| Intangible assets                                  | 272                 | 248            | 264             | 238            |
| Assets in respect of derivative instruments        | 1,897               | 1,091          | 1,904           | 1,096          |
| Other assets <sup>(2)</sup>                        | 1,464               | 698            | 1,389           | 667            |
| <b>Total assets</b>                                | <b>167,778</b>      | <b>141,110</b> | <b>160,779</b>  | <b>134,773</b> |
| <i>Liabilities and Shareholders' Equity</i>        |                     |                |                 |                |
| Deposits from the public                           | 141,677             | 120,052        | 135,527         | 114,836        |
| Deposits from banks                                | 2,992               | 1,137          | 5,511           | 2,640          |
| Deposits from the Government                       | 459                 | 353            | 459             | 353            |
| Bonds and subordinated capital notes               | 4,394               | 3,674          | 2,086           | 2,055          |
| Liabilities in respect of derivative instruments   | 2,314               | 1,247          | 2,314           | 1,247          |
| Other liabilities <sup>(1)(3)</sup>                | 6,407               | 5,723          | 5,741           | 5,074          |
| <b>Total liabilities</b>                           | <b>158,243</b>      | <b>132,186</b> | <b>151,638</b>  | <b>126,205</b> |
| Capital attributed to the shareholders of the Bank | 9,141               | 8,568          | 9,141           | 8,568          |
| Non-controlling interests                          | 394                 | 356            | -               | -              |
| <b>Total equity</b>                                | <b>9,535</b>        | <b>8,924</b>   | <b>9,141</b>    | <b>8,568</b>   |
| <b>Total liabilities and shareholders' equity</b>  | <b>167,778</b>      | <b>141,110</b> | <b>160,779</b>  | <b>134,773</b> |

(1) Of which: provisions for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 86 million and NIS 57 million (consolidated) and NIS 83 million and NIS 55 million (the Bank) as of December 31, 2020 and 2019, respectively.

(2) Of which: other assets measured at fair value in the amount of NIS 247 million consolidated and the Bank (31.12.19 - NIS 42 million consolidated and the Bank).

(3) Of which: other liabilities measured at fair value in the amount of NIS 258 million consolidated and the Bank (31.12.19 - NIS 47 million consolidated and the Bank).



## STATEMENT OF CHANGES IN EQUITY

(NIS million)

|   | Share capital and premium (1) | Accumulated other comprehensive income (loss) | Retained earnings <sup>(2)</sup> | Total share-holders' equity | Non-controlling interests | Total equity |
|---|-------------------------------|---|----------------------------------|-----------------------------|---------------------------|--------------|
| Balance as at January 1, 2018   | 927                           | (120)   | 6,949                            | 7,756                       | 290                       | 8,046        |
| <i>Changes during 2018</i>  |                               |   |                                  |                             |                           |              |
| Net profit for the year   | -                             | -   | 733                              | 733                         | 34                        | 767          |
| Dividend  | -                             | -   | (355)                            | (355)                       | -                         | (355)        |
| Other comprehensive loss, after tax effect  | -                             | (39)  | -                                | (39)                        | (4)                       | (43)         |
| Temporary equity - non-controlling interest   | -                             | -   | (2)                              | (2)                         | -                         | (2)          |
| Balance as at December 31, 2018   | 927                           | (159)   | 7,325                            | 8,093                       | 320                       | 8,413        |
| Cumulative effect of the initial implementation of US accepted accounting principals <sup>(3)</sup> | -                             | 8   | (8)                              | -                           | -                         | -            |
| Adjusted balance as at January 1, 2019 after the initial implementation                             | 927                           | (151)   | 7,317                            | 8,093                       | 320                       | 8,413        |
| <i>Changes during 2019</i>  |                               |   |                                  |                             |                           |              |
| Net profit for the year   | -                             | -   | 865                              | 865                         | 38                        | 903          |
| Dividend  | -                             | -   | (410)                            | (410)                       | -                         | (410)        |
| Other comprehensive income (loss), after tax effect   | -                             | 20  | -                                | 20                          | (2)                       | 18           |
| Balance as at December 31, 2019   | 927                           | (131)   | 7,772                            | 8,568                       | 356                       | 8,924        |
| <i>Changes during 2020</i>  |                               |   |                                  |                             |                           |              |
| Net profit for the year   | -                             | -   | 750                              | 750                         | 38                        | 788          |
| Dividend  | -                             | -   | (125)                            | (125)                       | -                         | (125)        |
| Other comprehensive loss, after tax effect  | -                             | (52)  | -                                | (52)                        | -                         | (52)         |
| Balance as at December 31, 2020   | 927                           | (183)   | 8,397                            | 9,141                       | 394                       | 9,535        |

(1) Including share premium of NIS 313 million (as from 1992 onwards).

(2) Including an amount of NIS 2,391 million which cannot be distributed as dividend.

(3) Cumulative effect of the initial implementation regarding financial instruments of US accepted accounting standards at banks in respect of financial instruments (ASU 2016-01).